

Degraded and upgraded? Economic activity in a diversifying inner-city subarea^o

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Abstract

The paper analyses the relations between economic performance, social diversification and overall systemic transformation in a socially deprived, but dynamic subarea of Warsaw – Praga Północ. ‘Old Praga’ is treated here as a specific laboratory of contemporary urban change. Actually, its pre-war tradition of multiculturalism and the transformation into ‘historic slums’ under socialism imprinted on its memory clash with a recent socio-economic diversification, that is generated by an early-stage gentrification, and also by the inflow of ethnic minorities.

Keywords: degradation, entrepreneurship, diversity, gentrification, Warsaw.

JEL classification: L26, R19, J15.

Degradato o riqualificazione? L’attività economica in un quartiere centrale in via di diversificazione

Sommario

Questo articolo analizza le relazioni fra performance economica, diversificazione sociale e trasformazione complessiva di un’area depressa ma dinamica di Varsavia – Praga Północ. La “Vecchia Praga” è considerata qui come un laboratorio del cambiamento urbano contemporaneo. Di fatto, la tradizione multiculturale prebellica e la trasformazione in un “basso-fondo storico” nel periodo socialista – impressi nella memoria storica del quartiere – cozzano con la recente diversificazione socio-economica, che è generata dall’avvio di una fase di gentrificazione, ma anche dall’arrivo di minoranze etniche.

Parole chiave: degrado, imprenditoria, diversità, gentrificazione, Warsaw.

Classificazione JEL: L26, R19, J15.

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Introduction

Both economic growth and life quality as important objectives of urban development are impacted by economic performance – the activity, range and sustainability of economic units in cities and their subareas (Fainstein, 2005; Bodaar and Rath, 2005). The growth of entrepreneurship, i.e. the capacity of industries to innovate and upgrade (Porter, 1990) – is one of the key measures of the dynamics of cities, their attractiveness and competitiveness. Glaeser (2000) emphasizes the role played by the culture of entrepreneurship, which *inter alia* accounts for the intensiveness of networks in building the competitiveness of local economy. This perspective is developed by Camagni (2002) in his concept of territorial competitiveness founded on the absolute advantage principle¹.

One of the factors that appear in the discussions on the competitiveness of cities is their growing social diversity – a phenomenon generated primarily by spatial mobility and the formation and extension of ethnic communities. There are neighborhoods which are subject to diversification of socio-economic structure due to the gentrification process (Hamnett, 1991; Butler, 2003; Watts, 2009). Some authors maintain that cities open to diversity tend to more effectively attract new firms (Tasan-Kok *et al.*, 2014). It is claimed that growing social and cultural diversity has a positive impact on the volume, productivity (Bellini *et al.*, 2008), as well as the variety of business activity (Fainstein, 2005; Florida, 2002; Taşan-Kok and Vranken, 2008; Eraydin, Tasan-Kok and Vranken, 2010; Nathan, 2011). As Lee, Florida and Arc (2004) show, at the regional level not only the quality of human capital, but also social diversity positively influence entrepreneurial activity.

With regard to the local scale, as stressed by Landry (2000), deprived urban areas – which are often also socially diversified – can be significant hotspots for creative industries. Conversely, it is also pointed out that struc-

¹ In his criticism of Paul Krugman's (1991) approach R. Camagni (2002, p. 2401) points out that: "*the law of comparative advantage does not hold in the case of confrontation among local economies (interregional trade), and consequently the conclusion that each region will always be granted some specialization and role in the interregional division of labor is not valid. A region will be pushed out of business if the efficiency and competitiveness of all its sectors are lower than those of other regions*".

turally weak areas, including socially diverse and socially deprived neighborhoods, create barriers for entrepreneurial activity. This may be associated by limited trust on the part of lending institutions, suppliers, as well as potential customers (Flöger and Gärtner, 2015). The negative relation between social heterogeneity and economic growth is pointed out also by other authors (Easterly and Levine, 1997; Alesina and La Ferrara, 2005).

As referred to by Beckers and Kloosterman (2014), research on ethnic businesses indicates the importance of the spatial context, including the role of social networks and local embeddedness as well as other preconditions – e.g. proximity to customers and availability of low-cost premises as business location factors. Following Landry (2000), deprived urban areas with vacant buildings and some acceptance of ‘otherness’ can attract specific businesses – including start-ups, especially in the creative sector. In fact, the location factors referred to, both positive and negative, are of varying importance when looking at individual cities and their subareas.

The present paper explores how an increasing social diversity, generated primarily by physical and social upgrading, affects entrepreneurial activity in a socially deprived inner-city area of Warsaw. There are relatively few studies that tackle the relation between economic performance and the process of diversification at the neighborhood level (Mason *et al.*, 2015), in particular in the post-socialist city context (Węclawowicz, 1996; Sykora and Bouzarovski 2012; Kovacs *et al.* 2013)². This question is here examined by introducing the case of Praga Północ, a deteriorated, yet recently and partly revitalized subarea of Poland’s capital city. The evidence presented complement the knowledge on the way in which local governments create conditions that support the creativity and economic performance of business actors. Factors determining economic performance are presented

² The notion – “post-socialist city” is attributed to such aspects of its spatial structure as: housing characteristics, symbolic components of urban space, ownership relations, socio-spatial differentiation; less frequently to population dynamics and functions performed. The term is also used in a general sense, by referring to the phase of transformation which started with political events of 1989-1990 (Tosics 2005, Węclawowicz 2005). Sykora and Bouzarovski (2011) point out that whereas in most former socialist countries basic institutional changes have been largely completed, social practices and social structures still retain some traits of state-socialism, or are characteristic for a transition period.

and discussed. Aside from the introductory part, the paper consists of sections devoted to, respectively, the methodology applied, characteristics of the case study area, analytical findings and concluding remarks.

1. Methods and data sources

The paper is based on the results of 40 semi-structured interviews with entrepreneurs carried out in Praga-Północ in the period of September-December 2015. They were based on a shared semi-structured interview guide designed within the DIVERCITIES³ project. The respondents were selected using several entry points – via representatives of NGOs and local informal organizations, private contacts and direct contact at the firm site. As a complementary source, the Author used the proceedings of fifty semi-structured in-depth interviews with residents of the same area which were carried out in the period of October 2014-February 2015. The interviews with entrepreneurs covered such issues as the profile of business, motivations standing behind individual location decisions, success and failure factors of firms, the relation between social diversity and economic performance in the research area, as well as the impact of policies and regulations on the effectiveness and competitiveness of local entrepreneurs. The interviews with local residents focussed on such questions as the perception of social diversity, the type of social networks established locally, activities undertaken in the area of residence, local social solidarity and social mobility of Praga's inhabitants. Most of the interviewees were approached in the area of so called 'old Praga', where poverty, social problems, local social climate and traditions clash against the dynamics and vitality of metropolitan change. While selecting the sample, data concerning the size and structure of firms in the area were taken into account. As a consequence, micro-firm owners and managers represented the majority of interviewees, with a predominance of firms in the service sector. The social diversification within the sample was reflected by including both female and male entrepreneurs, persons in various age groups, as well as members of ethnic minorities.

³ See acknowledgments above and the website www.urbandivercities.eu.

2. Praga Północ – the case study area

The present analysis focuses on economic attainment of firms located in the old part of Praga Północ, one of 18 administrative units of Warsaw. The area features intense social problems, unemployment (150% of Warsaw's average), and the largest share of population on welfare benefits at city level. The area, which had been culturally and socially diverse in the pre-war period, was intentionally excluded by the city authorities under socialism and degraded into what Musil (2005) calls 'historic slums'. Still, it succeeded to maintain its local specificity – a slightly outdated, provincial atmosphere. Presently, the district witnesses gentrification of an early-stage character associated with an influx of artists, students and younger people in general⁴. This phenomenon is the main source of growing socio-economic diversification in the area. Along with this, owing to the availability of low-cost premises, Praga attracts some, rather non-affluent members of ethnic minorities, who chose to live or open their small business outlets in the area. These are primarily migrants from post-Soviet countries – Russians, Ukrainians, Chechens, Azerbaijanis but also some from the Balkan region and southern Asia.

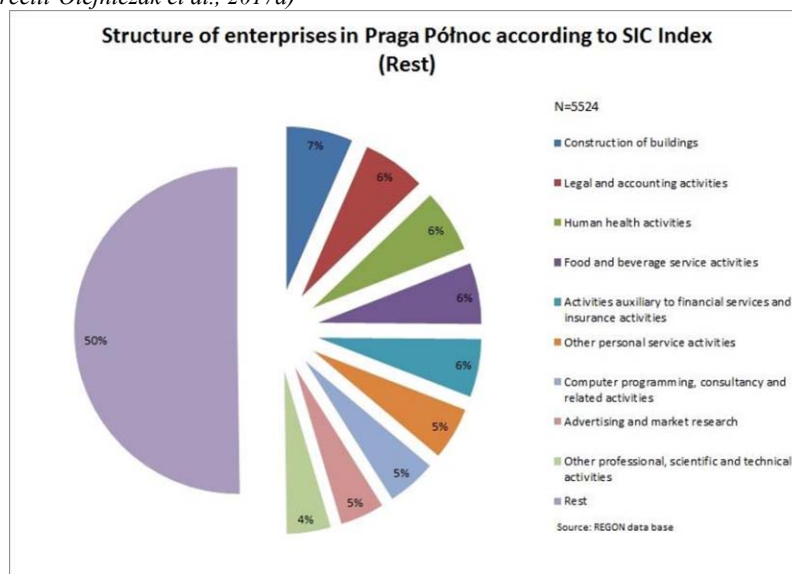
In the last decade, Praga has gained interest on the part of city authorities and has been subject to urban revitalization programs aiming at the modernization and extension of both technical and social infrastructure. Of critical importance was the construction of a metro line connecting Praga with the city center. These programs, embedded in an overall social change, together with new private investments altered the traditional image of Praga, which is now regarded as a dynamic area with signs of social and economic upgrading. A flagship project in this domain is the new Praga Koneser Center, hosting the Google campus for start-up firms in creative branches which replaced the former Warsaw spirits factory. The complex –

⁴ Early-stage gentrification (Pattison 1977) is described as the initial stage of the process, when pioneer individuals buy and/or renovate properties for their own use. The group of newcomers consists primarily of design professionals and artists. In the post-socialist context Kovacs et al. (2013) when referring to the process of physical and social upgrading of urban subareas use the term 'regeneration' rather than gentrification, considering the specific and still limited character of the process.

which is still in an extension phase – integrates residential, business and cultural spaces. The encounter of tradition and novelty makes Praga an area of growing interest, both at the city, as well as at broader social scale (Korcelli-Olejniczak *et al.*, 2017a).

Praga's specificity is also reflected in the composition of its business sector. The research conducted unveiled a picture of its fragmented character, with low entry barriers for new small firms and a predominately localized clientele (except for catering services which tend to have a city-wide market area). The National Official Business Register (REGON) contains 11080 business units, among which the so called micro-firms, employing less than ten persons and with an annual turnover of below 2 million euro account for 10587, i.e. as much as 96 per cent of the total. This size distribution can be regarded as extremely skewed (compare Musterd *et al.*, 2006). The sectoral structure features over a half of all businesses belonging to the services sector, 25 per cent to wholesale and retail trade (see Fig. 1).

Fig 1 - The structure of enterprises in Praga Północ according to the SIC index (source: Korcelli-Olejniczak *et al.*, 2017a)



3. Entrepreneurship and social diversity in a deprived urban neighbourhood

3.1 Location and locality

When asked about the decision concerning the establishment of their business site within the space of 'old Praga', most of the entrepreneurs interviewed declared that the location had some advantages and disadvantages which they were aware of. Aside from considerably low rental costs, the area offers an easy start for entrepreneurs as in most business sectors local competition is limited. At the same time, the clientele – which is usually local – is also stable. Once getting used to the products and services offered, Praga's residents are considered 'loyal' to their providers and rarely search for an alternative within or outside the area of residence. The entrepreneurs seldom count on an immediate extension of their market area; their business strategy is rather conservative: *"I will be happy not to have to close down this business in a year or two. I completely rely on local customers. If these people stop coming I will be left with nothing"* (female, 70 years old, crafts sector). Most entrepreneurs are skeptic about the future of their businesses. To a great extent, this derives from the awareness that the local customer base is relatively poor, with an unstable financial situation.

Reportedly, location advantages are associated with the changes going on in the area – the investments and revitalization programs that allow for a re-branding of Praga. Once treated as a nest of social deprivation – as 'historic slums' neglected by city authorities and condemned to socio-spatial exclusion, the district is being rediscovered as an 'alternative' central city location. In particular, entrepreneurs specializing in catering services consider this development dynamics as a chance for their businesses: *"This district has a large development potential related to its location and to how it's being promoted now. There are many new people moving in who have money and know how to spend it"* (female, 38 years old, catering services); *"(...)the district has a fabulous location within the space of the city, as it is close to the downtown area, and along with the development of Warsaw, the place will also change for the better"* (female, 42 years old, services).

Some of the entrepreneurs interviewed claimed to have chosen 'old Praga' as the location for their business owing to the area's "authenticity" – the social atmosphere based on a specific understanding and trust between the long-time residents, but also the built environment featuring many pre-war buildings: *"in a familiar milieu it is easier to get close to people and to familiarize them with your products or services"* (male, 42 years old, ser-

vices). Some of these entrepreneurs declare their skepticism related to the effects of the area's gentrification: *"(...) but Praga's social upgrading is also a threat to social networks and also to business sustainability"*. On the contrary, some other business owners hope that diversity related to both gentrification and the inflow of new ethnic minorities will favor their turn-over: *"Due to the specificity of the area, new residents will come to live here and shall be interested in my services"* (male, 62 years old, services).

The diversification of the area is an important location factor for firms offering services and products closely related to a different national or regional culture. This is related to the market demand represented both by new 'better-off' residents, numerous students, as well as members of ethnic minorities who chose to live in Praga. The non-Polish entrepreneurs interviewed claim that – aside from the low costs of premises offered – the area has attracted them with its local specificity and dynamic character. On the one hand, some of them claim to be enough successful to offer services to a wider clientele, also outside the area of Praga, since the customers value their products as 'exotic', 'different' and 'natural': *"people come from other districts of Warsaw, many foreigners searching for their ethnic products – people from the Balkans for example, but also tourists"* (female, Serbian, 27 years old, production/trade). On the other hand, some complain about the hostile reception and distrust of the local community. The latter concerns predominately entrepreneurs with backgrounds in the Arab world and is associated with the current public discourse on migrations and terrorism. The entrepreneurs who are confronted with such attitudes point to Praga's "muggy", conservative social atmosphere as the main reason for this behavior: *"(...) I am tired of this battle. If I open another restaurant, then in another area, where different people live"* (male, Nepali, 35 years old, catering services), but at the same time believe that the ongoing gentrification will allow for more openness and tolerance. Traditionally, Praga was considered to be an area where cultures met and different people lived in peaceful harmony: *"(...) Praga (...) was always mixed, multicultural, different nationalities, different religions and different professions. A melting pot and a real European city"* (male, 62 years old, production/trade).

For some entrepreneurs interviewed, the choice of a deprived area which at the same time was undergoing social diversification had proved to be a difficult one, associated with doubts and fears. In many cases, only the risk of unemployment together with preferential rental opportunities and a demand for inexpensive products and services, have driven people to open their business in 'old Praga': *"Praga has tempted us (...) with low rents*

(...). *We would have to double our prices if the rent would be as high as in other districts*” (male, 58 years old, trade).

In general, according to the motives behind their location decisions, the entrepreneurs can be divided into three basic groups:

- “Robinsons”⁵ whose decision to locate their business in Praga was random and not related to any specific reason or strategy. These entrepreneurs are often pessimistic with respect to the future of their firms, and complain about the inconveniences of encounter with the local milieu and conditions;
- “survivors” whose location choice was associated with low costs and limited barriers to entry, and whose business offer is directed at a loyal, but indigent customer base, their business strategy is a survival strategy, they often operate on the edge of profitability;
- “specificity-seekers” (among them also ‘diversity-seekers’) whose location decisions were based on conscious choice related to Praga’s social specificity and development potential. ‘Specificity-seekers’ aim at attracting both local and non-local customers, though among their clients there are more gentrifiers and better-off inhabitants than long-time, and less affluent residents.

3.2 Economic performance – success and failure stories

The economic situation of firms in ‘old Praga’ is very differentiated. According to recent statistics, self-employed have on the average higher earnings than employees (Kliczko, 2013) which is not necessarily reflected in the present field-work results. Although most of the interviewees in the study area have resisted to provide information about their monthly or yearly turnover, their stories have indirectly unveiled facts on the economic performance of their firms. The main factors affecting success or failure of

⁵ An association with Daniel Defoe’s character Robinson Crusoe - “Robinsons” means stranded. The term was introduced by the present author and refers to the accidental, by chance decision of the business location in Praga. For these firm owners Praga is an unexplored, alien territory.

their businesses were: the time when the firm was established (for example before or after 1989), the economic sector, the size of the firm, but also the age and the sex of the owner, as well as his/her ethnic background.

It seems that the most crucial success factor is the size of the firm, its importance growing with the length of time on the market. Owners of micro-firms (those hiring below 10 employees) who started their activity in Praga before the regime transformation of 1989 are those economically most insecure. This is often connected with low adaptation abilities and a less competition-oriented attitude. These firms are typically active in sectors other than catering services sector; many represent traditional crafts, trade or small-scale production. The entrepreneurs herewith referred to declare that their yearly turnover drops and that many of the firms are on the edge of bankruptcy. Reportedly, this is related with changing consumption habits of the residents, who prefer to *“buy a new toy or watch than repair the old one”* (male, 52 years old, crafts); *“Nowadays there are no shoe-makers any more. This is not a profitable profession”* (male, 63 years old, crafts). Even though the city authorities have identified traditional crafts as a specific brand of ‘old Praga’ and strive at supporting the sustainability of this sector, these attempts seem more declarative than effective.

Among the firms established after 1989, those that have stayed on the market for a period longer than five years are more successful than others, which is related to the fact that the entrepreneurs have acquired experience and knowledge concerning the local market demand and the specificity of Praga customer base. These interviewees evaluate their businesses as relatively sustainable and economically stable. New entrepreneurs often declare that the success of the firm is to a great extent associated with the ability to understand the local community and meet its expectations. In many cases sustainable firms have to adapt to change which can mean re-branding or extending their activity. Some interviewees talk about the ‘chance and challenge of gentrification’. These firm owners claim that the adaptation to such changes requires both skills and financial resources, which in many cases discriminates older entrepreneurs with minor qualifications.

The fieldwork findings show that men seem generally more successful in their economic activity than women, and so are younger than older persons. This is very much related with the character of ‘old Praga’, where running a business often requires *“muscles, not only stamina. There were problems as long as I can remember, and there always will be. (...) I didn’t want to pay protection money and got beaten up. This area is as it is* (male, 63 years old, crafts); *“(...) at 10 pm nobody wants to come here. They say they would like a kebab, but they are afraid. People ask me, how I*

like my work here. I tell them that it's a risk (male, 35 years old, catering services). The interviews carried out unveil some sad stories of businesses run by older women who strive to survive economically in confrontation with a changing market demand and a more diverse clientele: *"Years back, when my father was alive, everything was completely different, one could live from the business, today it's tragic"* (female, 70 years old, crafts); *"It's difficult to be successful here on your own"* (female, 62 years old, services). Older people, especially those whose businesses belong to the crafts sector, consider Praga's diversification process as an additional threat to the sustainability of their businesses. They are aware of the fact that new customers could mean new requirements and investments on their side.

As mentioned above, only 'visible' ethnicity, i.e. physical appearance which reveals the non-European origin of the entrepreneur, plays a negative role in the effectiveness of businesses in Praga, and is related to the traditional conservatism of the local community supported by the refugee-hostile political discourse at the national level. On the contrary, ethnic businesses led by entrepreneurs of Balkan or post-Soviet origin are often quite successful in the area. In particular, this concerns business activity in the catering services sector which appears to boom: *"(...) interest in eastern, Russian culture is growing, in spite of the image created by the mass media. I hope that our business will grow as well"* (male, Russian, 28 years old, catering services). All ethnic entrepreneurs interviewed, whether successful or not, consider the area's diversification as a chance for their business. The ones who feel alienated or are subject to hostile behaviors believe that a social mix introduced by the inflow of new residents will gradually bring openness and friendly character to the area. Successful entrepreneurs expect that in particular Praga's gentrification will allow their businesses to expand. They associate the social upgrading of the area with a growing interest in ethnic cuisine, other services and products.

When looking at the success and failure factors of businesses in 'old Praga', it becomes obvious that the positive attitude toward the area's diversification increases with such factors as the size of the business, the entrepreneurs' qualifications, his or her ability to adapt to change (often related to age), but is also related with the business sector. Against all disadvantages prescribed to the degrading crafts sector, those entrepreneurs who are successful to find a specialized market niche and meet the expectations of a certain customer segment are winners in the process of Praga's social diversification. The same situation concerns ethnic businesses which attract customers with very specific and rare products or services. Unlike in areas with large ethnic diasporas, Praga does not offer established community

networks supporting ethnic businesses. The latter, although usually targeting a narrow segment of customers, often succeed to find a loyal clientele interested in specific products or services, treated as different or exotic, “*not the usual stuff to be found in supermarkets*” (female, Serbian, 27 years old, production/trade). Although in general, business strategies of ethnic enterprises in Praga should be considered as risky, due to the still socially degraded and poor character of the area, the visibly changing image of this part of Warsaw is a large potential for the business sector.

The structure of businesses in ‘old Praga’ is still to a large extent associated with the type of the “average customer”, who is not affluent or spatially mobile. Some entrepreneurs complain that the area’s once negative image still dissuades many potential clients who resist to visit the place: “*Poor people live here. Some don’t have money to repair a broken window*” (female, 60 years old, crafts). Many firms, therefore, purposefully focus on the local client, also treating this as a form of local patriotism. Only rarely do entrepreneurs decide to raise the standard of their businesses by investing in renovations (Korcelli-Olejniczak *et al.*, 2017b). Aside from already mentioned catering services, in this respect an outstanding example are artists whose local activity in general contributes to the change of Praga’s degraded image. Art galleries and ateliers are becoming one of the area’s new tags: “*I would like to paint the walls of my gallery so that my paintings will be more visible. More people will come, because white is a fashionable color again (...). I try to renovate this place every four years or so*” (female, 62 years old, services).

3.3 “Old Praga” – Warsaw’s Trastevere?

A question arises whether and how Warsaw’s local authorities, both at the city and district level, perceive the potential of ‘old Praga’ as an area transforming from ‘historic slums’ to an alternative downtown, situated across the Vistula river, on its eastern bank. Does the local government appreciate the role of Praga’s social diversification as a means of the area’s upgrading, the strengthening of its economic performance, overall attractiveness and competitiveness within the space of the city? Whereas a number of programs and actions initiated by the authorities seem to prove that the potential of ‘old Praga’ has now been discovered and is supported, the perspective of the local entrepreneur provides new insight on this matter. In the framework of the fieldwork carried out in Praga, entrepreneurs were confronted with the above questions. What becomes evident in the research

is that micro and small firms are rarely aware of any specific support from the local government, and find that economic activity develops spontaneously and positively remakes the image of ‘old Praga’.

When asked about the means to boost economic activity, the entrepreneurs recall the following issues: the lowering of taxes and labor costs, stable financial regulations to be provided by local authorities, the upskilling of staff in the District Offices, interest in the entrepreneur’s immediate needs, simplification of business application procedures and the improvement of public safety in Praga (Korcelli-Olejniczak *et al.*, 2017a). All these postulates address the needs and shortages that the owners of local businesses are confronted with in Praga. The lowering of taxes and social security payments, as well as the introduction of other regulations decreasing effective labor costs is an issue of special relevance in a degraded area: “(...) *I should be able to hire someone for a part-time job. I have a free chair, so if there is a hairdresser, I should be able to rent it to him and he would pay taxes for himself and some rent. Sadly this is not allowed here*” (female, 62 years old, services). The ‘survivors’ among the entrepreneurs claim that rental fees are too high when considering the state of the premises and the characteristics of local customers. The ‘specificity(diversity)-seekers’ interviewed maintain that local authorities should support one of the trademarks of Praga – traditional crafts and craftsmen, as well as those catering services that offer ethnic cuisine. Such actions would intensify the merging of ‘old Praga’s’ traditional and present social climate. Similarly, it is claimed that the local authorities should support the unionization of Praga’s business. Paradoxically, local entrepreneurs unveil practically no initiative in cooperating and establishing inter-firm professional networks. The only consolidated business community in the area are artists who strongly contribute to the re-imaging and upgrading of the area without neglecting its authenticity and the specificity of the local residents.

All interviewees point to the specificity of ‘old Praga’, with its large municipal housing stock which still fails to offer advantageous rental possibilities to creative start-up firms. Also, the promotion of local businesses is often perceived as inadequate to the needs. While such events as ‘Days of Praga’ or ‘Open Żąbkowska street’, organized once a year by the local authorities to present the offer of local entrepreneurship to a wider clientele, are a significant boost to the firms’ income, the owners of businesses would expect larger-scale actions beyond occasional events.

It can be claimed that, in the eyes of local entrepreneurs, ‘old Praga’ will not become Warsaw’s Trastevere without concrete and long-time actions on the side of the local government. The city and district authorities should recognize

the role of local business in using Praga's social diversity to soften the disadvantages of the area's problems and to make it economically competitive.

Conclusions

The main research question put forward in the present paper is whether and how an increasing social diversity affects entrepreneurial activity in a socially deprived inner-city area of a major post-socialist city. The area chosen for the case study – 'old Praga' in Warsaw – carries the tradition of pre-war's multiculturalism; it was neglected by the authorities during state-socialism, while presently, as subject to a growing interest of public and non-public actors, it is undergoing a visible social and functional transformation. Today, the area's heterogeneity stems primarily from an ongoing gentrification at an early stage (Sykora, 2005; Jakóbczyk-Gryszkiewicz, 2015), but also draws on an inflow of comparatively non-affluent members of ethnic minorities, who chose to live or open their small business outlets in the area. Building upon the motives that stand behind location decisions of entrepreneurs and the factors determining success and failure stories of businesses, it is attempted in the analysis to look at the actual relations between social degradation, socio-economic diversification and systemic transformation.

Both its pre-war history and the transformation into 'historic slums' under socialism (Musil, 2000) is imprinted on "Old Praga's" memory, its social fabric, but also on the structure of economic activity. The clash of this heritage with a socio-economic diversification makes the area a kind of laboratory of contemporary urban change. Praga's local business features a decimated traditional crafts sector, with its representatives poorly adjusted to the necessity of competitive struggle, who acknowledge professionalism and management based on family succession, and are characterized by a cultivated cautiousness towards customers and collaborators (Gardawski, 2013), a class of new micro and small businesspeople, who derive their experience from unregistered, partly illegal petty-trade or work abroad at the declining stage of command economy, often restless and prepared to take risk; finally the class of new small businesspeople, relatively well-educated and skilled to operate under contemporary market regime. This array, characteristic for the post-socialist city (Węclawowicz, 1996), is further broadened by the increasing presence of small ethnic businesses, differing in terms of experience and the perception of their new economic and social environment.

Whereas the first class mentioned can be identified with the archetype herewith referred to as 'survivors'; the second is closest to the one of

“Robinsons” – those who are bound with place often by chance and somewhat unwillingly. Conversely, the third class of small business owners, being aware of “Old Praga’s” specificity and diversification process typically chose the area for their firm location. Interestingly enough, small ethnic businesses can be found among each of the three groups distinguished.

What the three groups above have largely in common is a somewhat dubious attitude towards the role of local government when expressed by the expectation of minimum interference and as much as possible aid in terms of preferential rental arrangements. Such an attitude may be understood as an element of a broader issue – a lagging adjustment of social practices (Sykora and Bouzarovski, 2012), one characteristic for the urban post-socialist transformation process. Another aspect of such a delay is general unwillingness of local entrepreneurs to cooperate, and in particular to build inter-firm professional networks. By referring to Tölle (2014), this can be interpreted in terms of an inherited deficit of trust and reciprocity in social relations, what hinders the overall competitiveness of urban areas.

While the activity of small business actors, here identified as ‘survivors’, “Robinsons” and ‘specificity(diversity)-seekers’ constitutes a visible dimension of Praga’s contemporary change, it mostly responds to upgrading processes on the residential market. External impulses in form of investment flows by private and public actors, including investments in infrastructure and, in particular, in revitalization projects have triggered off the breakdown of a downward spiral in the area’s development – a phenomenon that Flögel and Gärtner (2016) refer to when analyzing the entrepreneurial potential of deprived neighborhoods. In line with present findings, in this context, Praga’s territorial competitiveness (Camagni, 2002) is built on the artist community who form professional networks, which brings innovations and contributes to economic success (Porter, 2001). At the present development stage such place competitiveness can also be attributed to an attracting effect of specific, specialized catering services, including those offering ethnic cuisine, even though its long-term outcomes are often questioned.

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